CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

CFE CANDIDATE NUMBER:

Common Final Examination
May 30, 2024 – Day 3
(Booklet #1 – Cases)

Total examination time: 4 hours.
Further details on the examination can be found on the next page.

GENERAL INSTRUCTIONS BEFORE THE EXAMINATION

1. Fill in your candidate number on the booklets. The examination booklets (or paper response, as instructed) must be submitted before leaving the examination writing centre. They must NOT BE REMOVED from the writing centre. If these items are not received, the response may not be accepted.
2. Follow the instructions provided. Instructions must not be removed from the writing centre.
3. Sign the Policy Statement and Agreement Regarding Examination Confidentiality below.

Policy Statement and Agreement Regarding Examination Confidentiality

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- Obtain or use answers or information from, or give answers or information to, another candidate or person during the sitting of the examination;
- Refer to unauthorized material or use unauthorized equipment during the examination including but not limited to generative artificial intelligence and similar technologies (for example, ChatGPT, Grammarly, Chatbots, etc.); or
- Remove or attempt to remove any CPA Canada Examination materials, notes or any other items from the examination writing centre.

I further agree to report to the Regional/Provincial/Territorial Body any situations where there is a material risk of compromising the integrity of the examination.

I affirm that I have had the opportunity to read the *CPA Examination Regulations* and the *Policy on Academic Integrity and the Use of Artificial Intelligence* and I agree to all of their terms and conditions.

In addition, I understand that failure to comply with this Policy Statement and Agreement will result in the invalidation of my results, and may result in my disqualification from future examinations, expulsion from the profession and possible legal action.

____________________________ ____________________________

CANDIDATE NAME (Please print) SIGNATURE

Examination Details

The examination consists of:
Booklet #1 – (this booklet)
- **Case #1 (85 minutes)**
- **Case #2 (85 minutes)**
- **Case #3 (70 minutes)**

Booklet #2 – Rough notes

Times noted above are guidelines. Candidates are responsible for managing the time allocation.

The cases should be answered using the examination software provided, which includes a word processor and spreadsheet for inputting your response. Make sure that you indicate the case number before your answer to each case in the word processor and the spreadsheet. The main body of your response should be in the word processor file. Only supporting calculations should appear in the spreadsheet file, in **Sheet 1**. All financial tables in the case with ten lines or more have been preloaded into the spreadsheets that follow Sheet 1. Those spreadsheets are in read-only mode. You must copy and paste the financial information into your Sheet 1, where you can then do all your calculations. You are responsible for clearly explaining all your calculations.

Answers or part answers will not be evaluated if they are recorded on anything other than the examination software or, in the event of computer failure, the CPA Canada writing paper provided.

Rough-note paper is available in a separate booklet. Rough notes, and any other notations made in the examination booklets, will not be evaluated.

The CPA Canada Handbooks, the *Income Tax Act* and the *Excise Tax Act* are available in the examination software throughout the entire examination. These materials provide the standards in effect and tax laws substantively enacted as at December 31, 2023.

A tax shield formula and other relevant tax information are available at the end of this booklet.

Candidates are instructed to consider and respond to the examination questions as presented even though the circumstances described in the examination questions may not be reflective of the current environment.

Common Final Examination, 2024

Chartered Professional Accountants of Canada
277 Wellington Street West
Toronto, Ontario M5V 3H2

Case #1 **(Suggested time: 85 minutes)**

Best Buddies Inc. (BB) is a store that sells premium products for children. The business currently consists of a single Canadian retail store. Jesse Dhaliwal launched BB in January 2023 and owns 100% of the 10,000 issued and outstanding common shares. BB completed its first year of operations on December 31, 2023, and reports under ASPE.

It is now January 2, 2024. BB had a good first year, and Jesse is excited about the progress the company has made. However, as this is Jesse's first business venture, he feels uncertain about the next steps for the business, and has therefore hired you, CPA, to help.

Jesse wants to sell seasonal boxes containing the newest children's products, and has asked for your advice (Appendix I).

Jesse has set goals for BB (Appendix II). He would like you to critique each goal to explain why he has had difficulty measuring BB's progress towards achievement. He would also like you to suggest metrics for measuring the company's performance against these goals.

In addition, Jesse plans to open a second store, and would like your advice on how to finance it (Appendix III).

If BB decides to externally finance the second store, the investor will require financial statements. Jesse would like you to explain the differences between a compilation engagement and a review engagement, and recommend one. He also wonders whether you could perform either of these engagements.

Also, Jesse needs help figuring out the accounting treatment of some inventory items (Appendix IV).

Finally, Jesse sent you an email about some expenses incurred in BB's first year of operations, and would like your tax advice on them (Appendix V).

(CONTINUED ON PAGE 3)

APPENDIX I
SEASONAL BOXES

Each box, released quarterly, will be based on a seasonal theme. It will include various products and will be delivered directly to the customer.

Jesse thinks the total cost of all of the products included in each box would be around \$35. In addition to product costs, Jesse expects to incur the following costs related to the project:

Cost	Amount
Annual packaging design costs	\$ 3,700
Annual website costs	\$ 8,600
Digital advertising, per click (estimated 48,000 clicks per year)	\$ 0.50
Packaging, per box	\$ 2.25
Shipping, per box	\$ 16.00

Jesse plans to charge \$140 per box, if sold individually, and would like to know how many boxes BB would need to sell in order to break even. Alternatively, he is considering requiring that customers sign up for a minimum one-year subscription. With the annual subscription, customers would get four boxes each year, one for each season. The subscriptions would be priced at \$500 each, and would save BB \$8,000 in digital advertising. Jesse wants to know how many subscriptions BB would need to sell in order to break even in the first year. He also wonders which option you would recommend, knowing that he estimates he could sell 500 individual boxes, or 115 annual subscriptions, depending on which option he chooses.

(CONTINUED ON PAGE 4)

APPENDIX II
BB'S GOALS

Prior to launching the business, Jesse set the following goals for BB:

1. Become parents' number one choice for children's products in the area.
2. Be recognized as a community supporter by donating to special causes.
3. Minimize environmental waste from children's products and their packaging.
4. Each year, increase company profitability and generate positive cash flows.
5. Be a desirable employer.

(CONTINUED ON PAGE 5)

APPENDIX III
SECOND STORE PROJECT

To open a second store, BB would need $500,000. Jesse has received two proposals from a potential investor, and is wondering if he should accept one of the proposals or use internally-generated funds instead. He asks that you first determine how long it would take BB to internally generate $500,000 from its existing store. He would then like you to analyze each of the investor's proposals. Lastly, he asks that you recommend the best course of action.

BB Financial Information

Jesse anticipates $185,000 in income before tax in 2024. However, he noted the following:

- Income before tax should grow by 3% in each of 2025 and 2026, and by 2% every year thereafter.
- The projections do not include the additional profit from the launch of the seasonal boxes, but they do include annual amortization expense of $40,000.
- Jesse anticipates spending $60,000 on store improvements in 2026; his projections include an increase in annual amortization expense to $46,000 following the renovations.
- Jesse plans to increase BB's investment in working capital by $25,000 each year from 2024 to 2026, and then keep working capital constant in future periods.
- The forecasted income before tax does not consider:
  - Jesse's plan to annually donate 2% of BB's income, before tax and owner's compensation, to special causes;
  - his annual salary of $50,000; and
  - the bonus that he plans to pay himself in January of each year, starting in January 2025, which will equal 10% of income before tax from the previous year.

(CONTINUED ON PAGE 6)

APPENDIX III (CONTINUED)
SECOND STORE PROJECT

Investor's Proposals

Option 1 – Convertible preferred shares

An amount of $500,000, in exchange for 5,000 non-voting preferred shares, each featuring a $15 cumulative annual dividend. The preferred shares will be eligible for conversion into common shares any time after five years, at the investor's option. The conversion ratio will be two preferred shares for one common share.

Option 2 – Debt financing

A $500,000 loan, to be repaid over five years in annual payments of $100,000 plus interest on the outstanding balance, at the current market rate of 7%, on the last day of each year.

(CONTINUED ON PAGE 7)

APPENDIX IV
INVENTORY

At the beginning of 2023, BB sold a lot of merchandise (sweaters, stuffed animals, and books) from a popular children's TV show called Blue Penguin. The TV show was cancelled in June 2023, and BB saw a drastic drop in sales of Blue Penguin items. These items are taking up a lot of shelf space, so Jesse is looking for opportunities to clear this inventory.

A reseller has offered to buy the sweaters at 50% of the original selling price. Jesse contacted a broker about selling the stuffed animals. The broker thinks they can sell the stuffed animals for $15 each but will charge BB a 30% commission on the sale. The books could be sold to a discount retailer for 15% of their cost, but instead, Jesse contacted a local children's organization and promised to donate the books.

The items are currently recorded at cost. Since the cost remains the same regardless of the selling price, Jesse doesn't think anything additional needs to be recorded for 2023. The details are below:

Item	Cost	Original Selling Price	Quantity in Inventory
Sweaters	$20	$52	178
Stuffed animals	$12	$24	144
Books	$18	$30	129

(CONTINUED ON PAGE 8)

APPENDIX V
EMAIL FROM JESSE

To: CPA
From: Jesse Dhaliwal
Subject: Business expenses

Hi CPA,

I'm wondering whether the following costs incurred by BB in 2023 are tax deductible. I've heard that there are lots of rules about these things, but I'm not familiar with them.

- Product testing: Before I stock a new brand of products, I always test it out with my daughter Lisa. If she enjoys it, I know it's good enough to sell. I consider this to be product testing, and would like to deduct the cost of all of the products for tax purposes.
- Children's expo: This year, to learn more about the children's products industry, I travelled to the Global Children's Expo in Toronto. I visited the booths of many suppliers and discovered some new products that I am planning to stock at BB. I intend to deduct my registration fees, travel, meals, and hotel costs as business expenses.
- Consulting fees: Will your fees be deductible, and can they be deducted in 2023?

I'm also wondering if I can deduct the following costs on my personal tax return:

- Vehicle costs: My wife and I used to share a vehicle, but after I started operating BB, this became inconvenient. In July 2023, I bought my own vehicle, which I use for personal and business use. I use it to get to and from the store every day. I occasionally also use it to run errands for the business. I plan to deduct against my employment income all of my insurance, gas, and parking fees related to this second vehicle, since I wouldn't have bought it if I wasn't running BB. Can I also deduct the cost of the vehicle?
- Work from home: I usually work in the BB store during the day, and I catch up on a bit of work from my home office at night. I heard that home office expenses are deductible for tax purposes. Are there any home office costs I can deduct?

Thanks so much for your help. With a combined tax rate of 11% for BB, and an even higher rate for me personally, these things can make a difference!

Jesse

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<u>Case #2</u> **(Suggested time: 85 minutes)**

Good Read (GR) is a Canadian bookstore franchisor that has been successfully operating for 15 years. GR's success is largely based on building personal relationships with customers, focusing on being experts in literature, building on the franchisee's skills, and being known for giving back to the community. On January 1, 2023, Laura Saeed, a former teacher, incorporated her own GR franchise, Laura Saeed GR Inc. (LS), of which she is the sole shareholder. LS's year end is December 31.

It is currently January 15, 2024. You, CPA, were hired as a consultant to assist Laura with various matters, and today is your first meeting with Laura.

Laura: "As an avid reader, I'm so pleased with my decision to open LS. My vision is for LS to become a pillar in the community, where learning and creating are facilitated. I think we can do this in many different ways, not just through reading.

"I've prepared LS's draft 2023 financial statements and added my notes (Appendix I), but can you review the accounting treatment for the government assistance (Appendix II), and for the initial franchise fee (Appendix III)?

"Also, please calculate the federal corporate income taxes payable for the year ended December 31, 2023. Can you also prepare a budgeted before-tax income statement for 2024?

"I recently met with the auditors and, as this is my first audit, I was unclear on several of the topics discussed. Specifically, can you explain what the auditors' audit approach and materiality assessment will likely be. Please also tell me which accounts in the financial statements have a high risk of material misstatement, and explain why.

"In June 2023, I initiated a program for schools called "Book It". On the first school day of each month, the third-grade students at six different schools are provided with the same book, which I pick to ensure it provides a learning opportunity. On the last Thursday and Friday of each month, I go to each school and host a book club. This is a chance to provide students with increased access to books and thoughtful group discussions, which are important to me. So far, the program has been a big success. I love interacting with the children, and it has significantly impacted me, as I can see their love of books growing. The children get to know me through my visits with them, and it's so rewarding!

(CONTINUED ON PAGE 10)

"Based on Book It's success, I am considering adding another program, and would like some guidance on which program would be the best from a strategic standpoint. The first option is to donate 5% of LS's gross profits to preschools and schools, to purchase books. The second option is to start a writing program, designed to teach creative writing to children for free. The classes would have a maximum of 15 children and occur every Saturday morning, and each session would last four weeks. I would teach several consecutive sessions."

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APPENDIX I
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS AND NOTES

Laura Saeed GR Inc.
Balance Sheet
As at December 31, 2023

Assets	
Current assets:	
Cash	$ 215,780
Accounts receivable	7,000
Inventory	187,500
Total current assets	410,280
Property, plant, and equipment (Note 1)	116,767
Total assets	$ 527,047
Liabilities	
Current liabilities:	
Accounts payable	$ 70,000
Total current liabilities	70,000
Shareholder's equity	
Share capital	125,000
Retained earnings	332,047
Total shareholder's equity	457,047
Total liabilities and shareholder's equity	$ 527,047

(CONTINUED ON PAGE 12)

APPENDIX I (CONTINUED)
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS AND NOTES

Laura Saeed GR Inc.
Income Statement
For the year ended December 31, 2023

Revenue	
Book store revenue	$ 3,000,000
Government assistance (Note 2)	50,000
Total revenue	3,050,000
Expenses	
Cost of sales (Note 3)	2,250,000
Book It expenses (Note 4)	97,720
Franchise fee	120,000
Amortization	20,233
Salaries and wages (Note 5)	126,000
Advertising (Note 6)	10,000
Rent (Note 7)	84,000
General and administrative (Note 8)	10,000
Total expenses	2,717,953
Income before tax	$ 332,047

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APPENDIX I (CONTINUED)
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS AND NOTES

Notes:

1. Property, plant, and equipment (PP&E):

Asset	Cost ($)	Useful Life (years)	Amortization ($)
Vehicle	25,000	10	2,500
Bookshelves	30,000	10	3,000
Couches	25,000	5	5,000
Computers for customer use	12,000	5	2,400
Leasehold improvements	45,000	5	7,333
Total	137,000		20,233

   On November 1, 2023, we used part of the government assistance (Note 2) to convert a portion of the store's floor space into a storage and administrative centre for the Book It program. Included in leasehold improvements is $10,000 related to this conversion.

   On January 1, 2024, we started renovations to remove three walls that enclosed our biography section, at a projected cost of $8,000. Prior to this, biography sales seemed low, at 5% of total sales compared to 15% of total sales at other GR locations. I think sales were low because customers failed to notice the section, so the removal of the walls should fix that.

2. Due to the high cost of the Book It program, I was at risk of having to discontinue it. I contacted the provincial government in hopes of receiving assistance, and I received $50,000 on November 1, 2023 (Appendix II).

3. I expect the unit cost of books to increase by 2% in 2024.

4. There are 720 students in the Book It program. Each book costs $18, on average. There are also administrative costs, which average $1,000 per month.

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APPENDIX I (CONTINUED)
EXCERPTS FROM DRAFT FINANCIAL STATEMENTS AND NOTES

Notes (continued):

5. LS's portion of payroll deductions is included in salaries and wages expense. I only took a salary of $50,000 in 2023; I'm hoping to increase this to the average annual franchisee owner's salary of $100,000 for 2024. Throughout 2023, I did not have enough employees to be open for the standard 12-hour days, like other GR locations. I work approximately 60 hours per week on the sales floor. During 2023, the hours of operation were as follows:

Monday to Friday	9:00 am – 6:00 pm
Saturday and Sunday	9:00 am – 9:00 pm

   I have hired an additional employee, who started on January 1, 2024, at $17 per hour and will work 40 hours per week, 50 weeks per year. This will enable the store to be open from 9:00 am to 9:00 pm, 7 days a week, which will increase sales (Appendix IV).

   Due to limited staff, we have very few processes in place for our operations.

6. I'm expecting advertising costs to increase by 5% in 2024.

7. Rent is $7,000 per month.

8. This amount includes $2,000 for meals and entertainment, $4,000 for annual memberships to the local recreation centre for me and all employees, and $1,500 for our year-end staff party.

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APPENDIX II
EXCERPT FROM GOVERNMENT ASSISTANCE AGREEMENT

1. The assistance is to be used to help fund the “Book It” program from November 1, 2023, to October 31, 2024 (“Grant Period”).

2. A maximum of $10,000 can be allocated to capital expenditures.

3. The use of funds for non-capital expenditures must be spread evenly across the Grant Period.

4. If the “Book It” program is discontinued by the recipient before October 31, 2024, any unspent portion must be returned to the government.

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APPENDIX III
EXCERPT FROM FRANCHISE AGREEMENT

The Franchisee is required to:

- remit the initial franchise fee of $120,000 upon signing of the Agreement. The initial fee includes the following: $107,000 for the right of the Franchisee to operate indefinitely under the Good Read name; and $13,000 for the hardware required for the point-of-sale system.
- remit the annual franchise royalty of 10% to the Franchisor by March 31 of the following year. The royalty fee is based on the annual income before corporate income taxes.
- remit the annual audited ASPE financial statements to the Franchisor by March 31 of the following year.
- remit a budgeted before-tax income statement to the Franchisor by March 31 of each year, for the current year.

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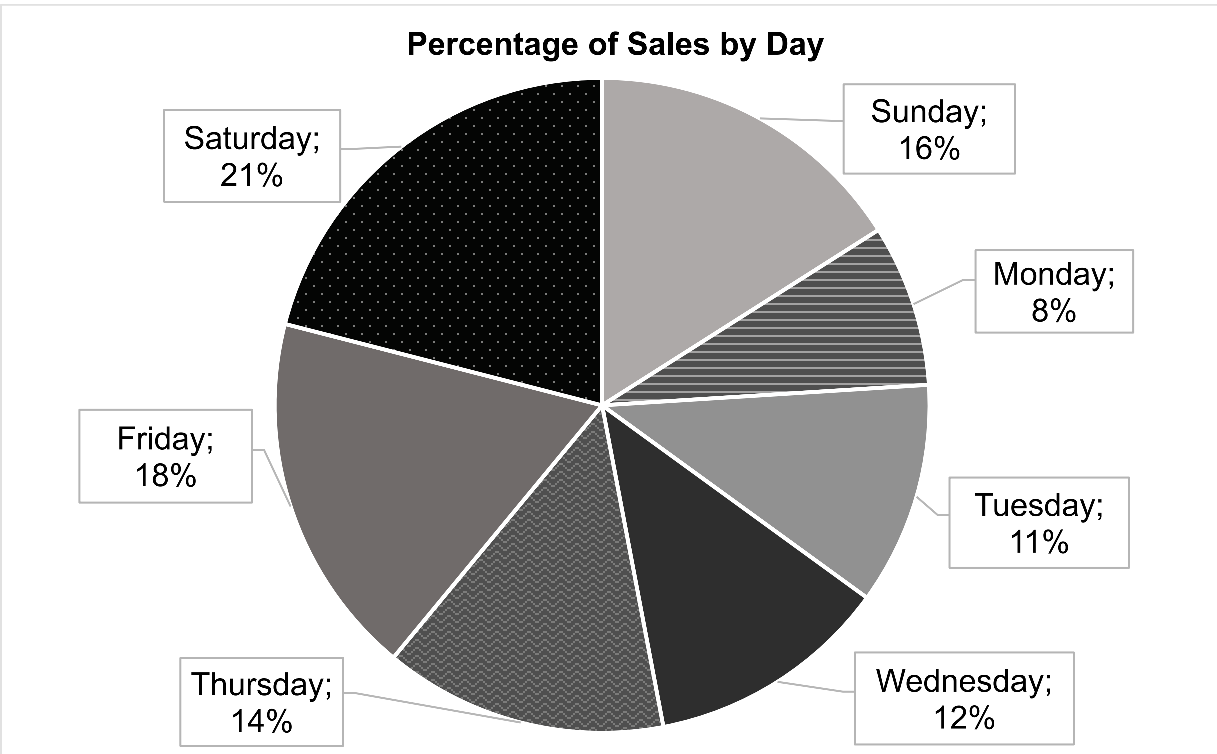
APPENDIX IV
SALES INFORMATION FROM ANNUAL FRANCHISOR REPORT

Sales Increases

The historical sales average across all GR locations shows that the new locations usually see a 3% increase in annual sales during their second year of operation.

Sales Information



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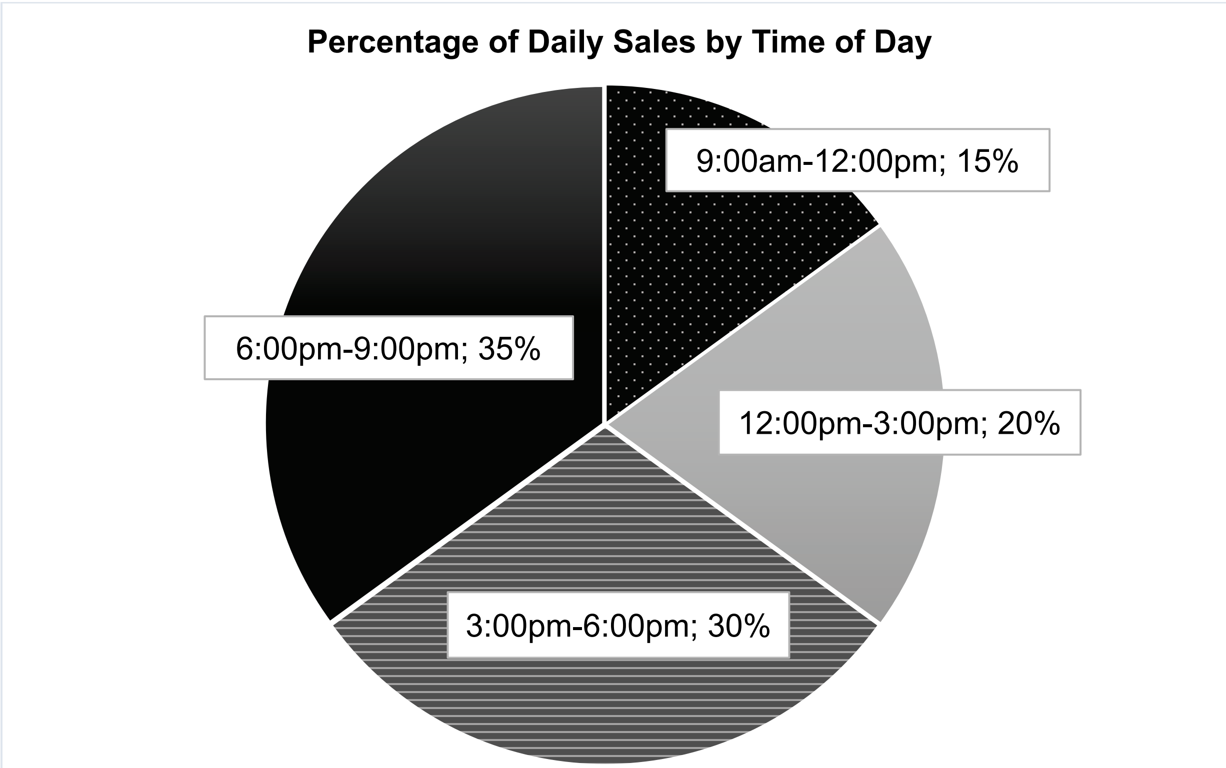
APPENDIX IV (CONTINUED)
SALES INFORMATION FROM ANNUAL FRANCHISOR REPORT

Sales Information (continued)



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Case #3 **(Suggested time: 70 minutes)**

Lotoski is a Canadian law firm that specializes in corporate and real estate law. Lotoski's strategic objectives are to provide timely, effective, and confidential legal services, increase profits, build long-term relationships with existing clients, and grow the law firm's real estate customer base.

It is January 15, 2024, and Rosie Lotoski, one of the two partners at Lotoski, has hired you, CPA, as a consultant.

Lotoski was approached for two potential engagements, which would both start in March (Appendix I). Rosie has provided you with information on Lotoski's resources (Appendix II). She would like you to analyze this information, to determine whether Lotoski currently has the capacity to accept both engagements. She would also like to know which engagement is the most attractive from a quantitative perspective.

Rosie would also like to know how each of the two potential engagements aligns with Lotoski's strategic objectives. She would like you to recommend which engagement to accept, based on your analyses.

Lotoski has recently started using a new cloud platform (JH-Cloud) for storing its engagement files and client information (Appendix III). Previously, this information was stored on paper in locked filing cabinets within Lotoski's office. Rosie would like you to discuss the risks and related implications of using JH-Cloud, and recommend controls to mitigate those risks.

Also, Rosie asks for your help in providing tax advice to one of Lotoski's clients (Appendix IV).

Lotoski is doing really well and the business has extra funds available to invest. Rosie has provided you with information on potential investment opportunities and would like you to analyze them and recommend one (Appendix V). Rosie asks you to ignore any tax considerations for the purpose of this analysis.

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APPENDIX I
POTENTIAL ENGAGEMENTS DETAILS

Engagement 1 – Rader Technologies Inc. (Rader)

Rader is an existing client of Lotoski, who always promptly provides documents and information needed to complete the engagements. They would like to engage Lotoski to complete legal services related to a corporate merger. The legal services must be completed within six months as this is when the merger is set to close. The engagement is estimated to take 800 hours and generate a contribution margin of $53 per hour.

Engagement 2 – Jet Incorporated (Jet)

Jet would like to engage Lotoski to complete legal services related to real estate, specifically purchasing a new condo building and selling individual units. This would be Jet's first time using Lotoski's legal services. Jordan, the owner of Jet and long-time friend of Rosie, would like the engagement completed within six months. Given Jet's rapid growth, Jordan is often busy with multiple ongoing projects. Depending on his workload, he can be hard to reach. Jet constantly has new real estate projects that require legal services, and if all goes well, plans to engage Lotoski for future services. The engagement is estimated to take 1,000 hours and generate a contribution margin of $38 per hour.

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APPENDIX II
INFORMATION ON LOTOSKI'S RESOURCES

For the period of six months starting in March, Rosie estimates that, aside from the two potential new engagements, 330 direct labour hours per week will need to be allocated for work on existing client engagements. The breakdown of direct labour hours per existing engagement, by position, is below, and is expected to remain the same for the two potential engagements.

Position	Breakdown of Direct Labour Hours
Partner	15%
Associate	65%
Paralegal	20%

The partners, the associates, and the paralegals work directly on legal engagements and each work 40 hours per week. The number of people in each position is detailed below.

Position	Number of People
Partner	2
Associate	6
Paralegal	2

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APPENDIX III
JH-CLOUD PLATFORM

Lotoski's engagement files and client information were scanned and transferred to JH-Cloud. JH-Cloud is accessible through a web portal from anywhere with a reliable internet connection, or through JH-Cloud's secure downloadable application. For simplicity, Lotoski accesses JH-Cloud through the web portal.

JH-Cloud has a function that gives specific access permissions to each user, based on their unique username and associated password. Lotoski currently has three unique login usernames: one shared by the two partners, one that is shared by the six associates, and one that is shared by the two paralegals. In addition, JH-Cloud is also able to track which files have been accessed, downloaded, modified, and printed by username.

Maintenance is performed on JH-Cloud when an issue arises. When maintenance occurs, the platform is inaccessible for a few hours, usually during working hours. Currently, JH-Cloud is backed up weekly.

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APPENDIX IV
INFORMATION PROVIDED BY THE CLIENT

The client, Ming Lessard, bought a house as a rental property in 2013 for $325,000 ($75,000 for the land and $250,000 for the building), and rented it out for 10 years. In December 2023, Ming moved into the house. At the time of the move, the property was valued at $800,000 ($200,000 for the land and $600,000 for the building). Ming has never claimed CCA on the property.

Prior to moving into the house, Ming had been living in a cottage since 2008, when she purchased it for $150,000 ($80,000 for the land and $70,000 for the building). The cottage is now valued at $500,000 ($400,000 for the land and $100,000 for the building), and she will keep it to use on summer holidays.

Ming has never owned any homes other than these two properties. She is wondering what the tax implications of these changes are for the 2023 tax year, and for the future.

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APPENDIX V
POTENTIAL INVESTMENT OPPORTUNITIES

Lotoski would like to invest $400,000 for four to five years. Lotoski has a low-to-moderate risk tolerance and expects an annual rate of return of 5% or greater.

Option 1 – Mutual Fund

Purchase units of a known mutual fund that invests mostly in shares of well-established companies. The mutual fund is rebalanced on a regular basis. The broker anticipates a value of $540,000 in five years with an initial investment of $400,000. No cash distributions are expected.

Option 2 – Guaranteed Investment Certificate (GIC)

Purchase a $400,000 three-year, non-redeemable GIC from a local bank with annual interest of $16,000, paid at the end of each year.

Option 3 – Mandatorily Redeemable Preferred Shares

Rosie's husband, Rob, owns a construction company. He incorporated it five years ago and started earning profit after two years. Rob wants to grow his company and needs financing. He is offering 40,000 preferred shares for $10 per share. The preferred shares will be bought back by Rob's company in four years for a value of $11 per share. Cumulative dividends of 2% of the initial investment will also be paid annually.

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End of Examination

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CPA COMMON FINAL EXAMINATION
REFERENCE SCHEDULE

Present Value of Tax Shield for Amortizable Assets

Present value of total tax shield from CCA for a new asset acquired after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)}$$

Present value of total tax shield from CCA for a new asset acquired after January 1, 2024, and before January 1, 2028, other than those eligible for immediate expensing, which would not normally be subject to the half-year rule.

$$= \frac{CdT}{(d+k)}\left(\frac{1+1.25k}{1+k}\right)$$

Present value of total tax shield from CCA for a new asset acquired after November 20, 2018, and before January 1, 2024, other than those eligible for immediate expensing.

$$= \frac{CdT}{(d+k)}\left(\frac{1+1.5k}{1+k}\right)$$

Notation for above formula:
C = net initial investment
T = corporate tax rate
k = discount rate or time value of money
d = maximum rate of capital cost allowance

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Selected Prescribed Automobile Amounts

Item	2023	2024
Maximum depreciable cost — Class 10.1	$36,000 + sales tax	$37,000 + sales tax
Maximum depreciable cost — Class 54	$61,000 + sales tax	$61,000 + sales tax
Maximum monthly deductible lease cost	$950 + sales tax	$1,050 + sales tax
Maximum monthly deductible interest cost	$300	$350
Operating cost benefit — employee	33¢ per km of personal use	33¢ per km of personal use
Non-taxable automobile allowance rates		
— first 5,000 kilometres	68¢ per km	70¢ per km
— balance	62¢ per km	64¢ per km

Individual Federal Income Tax Rates

For 2023:

If taxable income is between	Tax on base amount	Tax on excess
$0 and $53,359	$0	15%
$53,360 and $106,717	$8,004	20.5%
$106,718 and $165,430	$18,942	26%
$165,431 and $235,675	$34,208	29%
$235,676 and any amount	$54,579	33%

For 2024:

If taxable income is between	Tax on base amount	Tax on excess
$0 and $55,867	$0	15%
$55,868 and $111,733	$8,380	20.5%
$111,734 and $173,205	$19,833	26%
$173,206 and $246,752	$35,815	29%
$246,753 and any amount	$57,144	33%

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Selected indexed amounts for purposes of computing income tax

Personal tax credits are a maximum of 15% of the following amounts:

Item	2023	2024
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is greater than or equal to the amount at which the 33% tax bracket begins	$13,520	$14,156
Basic personal amount, and spouse, common-law partner, or eligible dependant amount for individuals whose net income for the year is less than or equal to the amount at which the 29% tax bracket begins	15,000	15,705
Age amount if 65 or over in the year	8,396	8,790
Net income threshold for age amount	42,335	44,325
Canada employment amount	1,368	1,433
Disability amount	9,428	9,872
Canada caregiver amount for children under age 18, and addition to spouse, common-law partner, or eligible dependant amount with respect to the Canada caregiver amount	2,499	2,616
Canada caregiver amount for other infirm dependants age 18 or older (maximum amount)	7,999	8,375
Net income threshold for Canada caregiver amount	18,783	19,666
Adoption expense credit limit	18,210	19,066

Other indexed amounts are as follows:

Item	2023	2024
Medical expense tax credit — 3% of net income ceiling	$2,635	$2,759
Old age security repayment threshold	86,912	90,997
Annual TFSA dollar limit	6,500	7,000
RRSP dollar limit	30,780	31,560
Lifetime capital gains exemption on qualified small business corporation shares	971,190	1,016,836

(CONTINUED ON PAGE 29)

Prescribed interest rates (base rates)

Year	Jan. 1 – Mar. 31	Apr. 1 – June 30	July 1 – Sep. 30	Oct. 1 – Dec. 31
2024	6			
2023	4	5	5	5
2022	1	1	2	3

This is the rate used for taxable benefits for employees and shareholders, low-interest loans, and other related-party transactions. The rate is 4 percentage points higher for late or deficient income tax payments and unremitted withholdings. The rate is 2 percentage points higher for tax refunds to taxpayers, with the exception of corporations, for which the base rate is used.

(CONCLUDED ON PAGE 30)

Maximum capital cost allowance rates for selected classes

Class	Rate	Additional information
Class 1	4%	For all buildings except those below
Class 1	6%	For buildings acquired for first use after March 18, 2007, and ≥ 90% of the square footage is used for non-residential activities
Class 1	10%	For buildings acquired for first use after March 18, 2007, and ≥ 90% of the square footage is used for manufacturing and processing activities
Class 8	20%	
Class 10	30%	
Class 10.1	30%	
Class 12	100%	
Class 13	N/A	Straight line over original lease period plus one renewal period (minimum 5 years and maximum 40 years)
Class 14	N/A	Straight line over length of life of property
Class 14.1	5%	For property acquired after December 31, 2016
Class 17	8%	
Class 29	50%	Straight-line
Class 43	30%	
Class 44	25%	
Class 45	45%	
Class 50	55%	
Class 53	50%	
Class 54	30%	

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